2002 Annual Report

The Development Fund

Celebrating 30 Years of Service

103-02739/

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The Development FUND

TRANSMITTAL

The Development FUND

The Honourable Eric Robinson
Minister Responsible for the
Communities Economic Development Fund
Province of Manitoba
Room 344 Legislative Building
Winnipeg MB R3C 0V8

Dear Sir:

On behalf of the Board of the Communities Economic Development Fund, it is my privilege to forward the Annual Report for the fiscal year ended March 31, 2002.

During the year, the Fund expanded program delivery to include an M.O.U. with the Department of Intergovernmental Affairs.

Also this year, we have welcomed new staff who are proving to be valuable additions to the rest of the Fund team whose effective efforts we again take this opportunity to note.

The Board takes satisfaction in performing its duties, and with the efforts of the staff, makes meaningful decisions respecting the development of large and small businesses in Northern Manitoba and the creation of new opportunities for its residents. We take this responsibility seriously and thank you for affording us this privilege.

Respectfully submitted,

H. Westdal

Harold Westdal
Chairperson

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

Minister Responsible: The Honourable Eric Robinson

Board of Directors:

Chairperson:	Harold Westdal	Winnipeg
Directors:	Linda Ballantyne	Grand Rapids
	Darlene Beck	Cross Lake
	Bill Cordell	Pikwitonei
	Gavin Lawrie	Churchill
	John R. Yellowback	Thompson
	John McKay	Gillam
	Bob Veito	The Pas

Officers:

General Manager & Chief Executive Officer: R. Gordon Wakeling
Manager of Financial Programs & CFO: Rajinder S. Thethy

HEAD OFFICE

100 -23 Station Road
Thompson, Manitoba R8N 0N6
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CORPORATE PROFILE

The Development Fund is the trade name of the Communities Economic Development Fund, a Manitoba Crown Corporation. Its primary activity is as a lender to small to medium enterprises in Northern Manitoba and to the commercial fishery throughout Manitoba. It undertakes other activities, as directed by Government, related to its legislated objective.

LEGISLATION

The Fund is governed by the Communities Economic Development Fund Act.

MANDATE

The object of the Fund, as stated in legislation, is to "encourage economic development in Northern Manitoba...through the provision of financial and other forms of assistance."

SERVICES

Based in legislation, the Corporation may:

- provide loans to assist in the establishment or expansion of any economic enterprise which conducts its business within the defined lending area.
- guarantee indebtedness of any economic enterprise, etc.
- lease personal or real property to economic enterprises.
- purchase shares, assets, or securities or underwrite the securities of qualifying economic enterprises.
- provide training for individuals in an economic enterprise.
- offer conferences, seminars, and other meetings for the promotion of good management practices.

TEAM co-ordinator, Oswald Sawh, assists students in computerized accounting course.

CORPORATE GOALS

The Fund's goals are:

to provide effective, efficient service to clients;

to monitor loans in a manner responsible to the client and to the Fund;

to be informed and to share knowledge on economic development with client groups;

to be fiscally responsible to the Province;

to be a good corporate citizen.

2002 OVERVIEW

CORPORATE HIGHLIGHTS:

- Continued Improvement in Fisheries Portfolio
- Diversification of Business Portfolio
- Deployment of TEAM program to 24 communities
- Participation in NDS
- Impact of the Softwood Lumber Dispute
- MOU for Service Delivery with Intergovernmental Affairs
- The Board of the Fund welcomed new member
  Mr. Robert (Bob) Veito of The Pas, replacing Mr. Jim Smith.

CEO Gordon Wakeling with Thompson MLA and Minister of Government Services & Transportation, Steve Ashton, at Rural Forum.

The Fund's objective is to "encourage economic development in Northern Manitoba". It may do so by providing financial and other forms of assistance to economic enterprises in the region. Until the start of the TEAM program, the majority of the Fund's effort has focussed on the delivery of loans. TEAM has involved the use of technical assistance to stimulate business growth. In its current strategic plan, the Fund discusses adding value to its services to government in the region. The 2001 rollout of the TEAM program was followed in 2002 with the announcement of an MOU between the Fund and the Department of Intergovernmental Affairs under which the Fund delivers REDI (Rural Economic Development Initiative) programs to the Northeast of the Province.

During the year, Manitoba announced a renewed emphasis on Northern Development under the Northern Development Strategy. The Fund has been actively involved in the strategy. Some of the key components (under the Economic Development section) closely align with both the Fund's program structure and its overall objectives. The Fund provides economic development services to the Northern region of the province. The area represents approximately 70% of Manitoba's land mass and is home to approximately 7.5% of the provincial population (2001 Census data). It is rich in opportunities, including those in natural resource industries and tourism. The Fund's activities support these areas. During the last 2 years, the Fund has seen a decline in loan requests that it relates to:

Activity in the forestry sector has declined in recent years, primarily due to ongoing uncertainty caused by the Softwood Lumber Dispute.

Many clients have "graduated" to conventional financing.

Mechanization of harvest operations in the North and Northwest is largely complete. Future activity in this sector will largely be contingent on new harvest development such as proposed activities on the East side of the Province.

Offsetting some of the downturn in forestry loans has been increased activity in Tourism. Investment and expansion activity had been increasing during recent years and seems to have continued in the wake of September 11th.

BUSINESS LOANS:

The Business Loan Program provides loans and loan guarantees to entrepreneurs within Northern Manitoba (defined in regulation as "North of the southernmost boundary of the 21st township"). It may also work with aboriginal clients throughout the Province (but excluding Winnipeg) when working in conjunction with a federal program.

The Development Fund assisted Fabian Campbell of Moose Lake in starting a snow clearing & landscaping business.

The Business Loan Program is often the only source of capital available to Northern entrepreneurs. The region has many opportunities, both in terms of growth of industry sectors (Tourism and Resource Harvest Industries as examples) and in "filling in" service gaps in areas many southern communities would take for granted.

Highlights for 2002 are:

Enquiries Handled	205
Applications Processed	51
Loans Approved	28 (totalling $2,787,386)

Loan activity declined slightly during the year, down from $2,797,419 the previous year, and continued to be below targeted levels. The primary reason remains reduced investment activity in the forestry sector. During the year, the program made extensive provision for potential loan losses in this sector (within its budget). The program supports businesses in the region employing a total of 564 individuals and generating revenues of $42 million.

FISHERIES LOANS:

The Fisheries Loan Program provides loans to licensed commercial fishers throughout Manitoba. Loans bear market rates and can be used to purchase or repair harvest production equipment and to purchase quota entitlements.

Loan activity in the program remained high during the current year. Loan disbursements totalled $3.9 million, down slightly from 2001. Loan payments remained strong in light of continued strength in the primary fisheries.

During the year, in answer to budget challenges, and as a result of corporate re-focusing, the program underwent significant organizational changes. Management staff was reduced and field office authority increased. The Fund was able to do so primarily as a result of advances in technology usage including use of high-speed data transfer to field offices.

Whitefish boats at dock in Gimli.

TEAM PROGRAM

Developing a Culture of Commerce

The TEAM program (TEAM is not an acronym) provides assistance to microenterprises in the Fund's lending region. It does so by working with groups of would-be entrepreneurs at the community level in forming help groups and providing assistance with technical and financial issues the clients face. TEAM's principle product is referred to as Technical Assistance. It is the provision of (often basic) assistance to the client to clear 'roadblocks' to business start-up. Examples include:

- Assisting clients to promote product to wider marketplaces.
- Connecting clients to funding sources.
- Creating a brochure.
- Working with welfare recipients to continue benefits during business startup.

Crafter, Mrs. Simard of Manigotagan, at Rural Forum.

During the year, the TEAM program completed presentations to several communities, expanding its client base to 125 TEAM members at March 31st, 2002.

Program Highlights for the year include:

- Coaching the winning team (TEAM Wabowden) at the Junior Achievement Annual Northern Regional Business Competition.
- Crafts Pavilion at Rural Forum.
- Computerized accounting courses offered in partnership with KCC.

Nothern Forest Diversification Centre staff show products.

While traditional industries continue to have importance in the region, TEAM has found that entrepreneurs have identified opportunities in a wide variety of businesses – hairdressing, landscaping, taxidermy, computerized bookkeeping, retail. The pictures in this years report are a cross section of program clients.

Youth TEAM from Wabowden compete at Provincial Business Games.

BUSINESS LOANS APPROVED

AMOUNT	NAME	LOCATION	PURPOSE	TERM IN INTEREST	MONTHS
$ 39,500	Dale Jonasson Logging & Hauling Ltd.	Wabowden	Forestry	9.625%	48
557,189	Mud Lake Logging Ltd.	Wabowden	Forestry	9.625%	48
9,635	Flett, Paul	Camperville	Outfitting/Guiding	9.625%	36
6,000	4381468 Manitoba Ltd. (Mace)	Thompson	School Bus & Handivan	9.625%	10
10,575	Morrisseau & Jonasson	Thompson	Contractor	9.500%	36
15,725	MacKenzie, John R.	Dauphin	Mobile Pressure Washing Service	9.250%	36
50,000	Wyatt Transport Ltd.	Mafeking	Forestry	9.250%	36
20,800	Darcy Rowe Trucking Ltd.	Birch River	Forestry	9.250%	6
192,966	Francoeur & Forster	The Pas	Billiard Hall	8.625%	120
100,000	Winters, Roy	Thompson	Landscaping	8.625%	120
119,966	Meikle, Robb & Gertrude	Norway House	Hotel/Outdoor Adventure	8.625%	120
40,000	Mistinipi Ventures Ltd.	S. Indian Lake	Confectionery/ Pool Hall/Arcade	8.625%	60
11,000	Northwest Institute of Guide Training (1995) Ltd.	Lynn Lake	Guide Training	8.625%	36
30,000	3848419 Manitoba Ltd. (Foubert)	Churchill	Hotel	8.500%	60
131,550	Lynn Inn Inc.	Lynn Lake	Hotel	8.250%	60
98,675	Norway House Fishermen's Co-op Ltd.	Norway House	Fish Co-op	8.250%	60
25,800	Mowatt, Daniel	Norway House	Forestry	8.250%	24
85,000	2821380 Manitoba Ltd. (Ushkowski)	Dauphin	Transportation	8.125%	84
91,775	Moneyas, Wesley	Wanipigow	Forestry	8.000%	36
29,545	Darcy Rowe Trucking Ltd.	Birch River	Forestry	8.000%	24
140,000	4515693 Manitoba Ltd. (Anand)	Thompson	Robin's Donuts Franchise	7.000%	60
245,280	4511931 Manitoba Ltd. (Hammond)	Flin Flon	Seasonal Takeout Restaurant	6.625%	60
75,000	Churchill Community Network Inc.	Churchill	Internet Service	9.00%	36
76,550	Nabess, James & Carla	The Pas	Campground	7.50%	120
315,000	Wilson, Harold	Norway House	Aircraft Charter	9.00%	60

$2,517,531	Total Active Loan Approvals - 22 clients
$269,855	Loans Approved/Withdrawn (unlisted) - 6 clients
$2,787,386	Total approvals - 28 clients

HISTORY OF BUSINESS LOANS

YEAR APPROVED	AMOUNT	APPLICATIONS APPROVED	JOBS CREATED AND/OR RETAINED
1972	$ 389,500	19	56
1973	1,349,750	82	125
1974	983,983	43	100
1975	731,910	16	73
1976	374,470	18	100
1977	704,658	38	108
1978	510,399	20	103
1979	556,459	20	92
1980	1,982,791	37	144
1981	1,180,740	34	120
1982	2,800,140	46	176
1983	2,138,275	31	138
1984	2,080,595	49	144
1985	2,326,548	63	172
1986	2,909,735	43	159
1987	3,573,294	66	215
1988	3,550,050	70	210
1989	725,243	22	31
1990	1,681,090	38	136
1991	1,737,344	30	80
1992	1,183,686	19	102
1993	5,406,375	36	120
1994	1,427,220	21	88
1995	4,811,247	51	135
1996	6,134,635	64	252
1997	4,321,829	53	198
1998	4,387,457	45	230
1999	5,188,498	41	178
2000	2,062,664	36	165
2001	2,797,419	28	170
2002	2,787,386	28	166
	72,795,390	1,207	4,286

PERFORMANCE DATA

	2002	2001	2000	1999	1998
No. of Loans Approved - Business	28	28	36	41	45
Dollar Value - Business	2,787,386	2,797,419	2,062,664	5,188,498	4,387,457
No. of Loans Approved - TEAM	11	6			
Dollar Value - TEAM	29,911	20,565			
Dollar Value - Fish Approvals	3,901,248	4,185,732	3,793,661	2,617,119	2,529,516
No. of Active Loans - Business	132	143	141	138	129
No. of Active Loans - TEAM	15	6			
No. of Active Loans - Fish	1,119	1098	1110	1106	1104
Portfolio Value - Total	23,158,654	23,592,871	23,624,304	23,787,182	20,967,782
Bad Debt Expense - Business	443,080	399,418	299,967	457,130	350,287
As a % of Approvals	15.90%	14.3%	14.5%	8.81%	7.98%
Bad Debt Expense - Fish	0	100,000	200,000	550,000	247,518
As a % of Approvals	0.00%	2.4%	5.3%	21.02%	9.79%
Total Subsidy	1,487,145	1,500,200	1,379,999	1,995,377	1,545,000
Subsidy as a % of Approvals	22.23%	21.42%	23.56%	24.63%	21.25%

TEAM member, sculptor Irvin Head, from Cranberry Portage.

ECONOMIC IMPACT

The Fund continues to face numerous challenges to maintain its primary function and at the same time deliver a professionally managed development agency for economic expansion including the number jobs created and maintained.

We present the following data which reflects our impact on the regional economy within our mandated area.

JOBS

Number of persons directly employed in business supported by Fund loans:[1]	533
Number of fishers supported by Fund Loans:[2]	1,129
Total Employment:	1,662

REVENUES (000'S)

Total revenue of Business Loan clients:[1]	$42,283
Total revenues of Fisheries Loan clients (before final payments and transfer income):[2]	18,730
Total Revenue	$61,013
Direct Wages Paid[1]	$11,859

[1] Data is drawn from material financial statement provided by clients and from on Site observations by Fund staff during the annual account review.

[2] Data is drawn from payments provided to Fund and from active accounts within loan ledger.

AUDITOR'S REPORT

HAUGEN MORRISH ANGERS
CHARTERED ACCOUNTANTS

TO THE BOARD OF DIRECTORS
COMMUNITIES ECONOMIC DEVELOPMENT FUND

We have audited the balance sheet of Communities Economic Development Fund as at March 31, 2002 and the statement of operations and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2002 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Haugen Morrish Angers

CHARTERED ACCOUNTANTS
The Pas, Manitoba
June 6, 2002

BALANCE SHEET

MARCH 31	2002	2001
ASSETS		
Cash	$ 193,571	$ 325,281
Trust deposits	297,528	7,245
Due from Province of Manitoba (Note 3)	2,178,588	2,031,271
Accounts receivable	65,633	72,958
Advances (Note 13)		169,055
Life insurance receivable		13,631
Property held for resale	109,920	51,251
Prepaid expenses	16,530	16,582
Loans receivable (Note 4)	18,224,470	18,351,129
	21,086,240	21,038,403
CAPITAL ASSETS (Note 7)	41,910	37,707
	$21,128,150	$21,076,110
LIABILITIES		
Accounts payable and accrued liabilities	$540,987	$219,252
Accrued pension liability (Note 2)	1,336,441	1,229,317
Interest payable to the Province of Manitoba	723,717	605,645
Advances by the Province of Manitoba (Note 8)	18,527,005	19,021,896
	$21,128,150	$21,076,110

Approved on behalf of the Board

Director

Director

STATEMENT OF REVENUE & EXPENDITURES

YEAR ENDED MARCH 31	**2002**	2001
REVENUE		
Loan interest		
Team	$ 2,437	$ 205
Business Program	1,015,347	1,089,342
Fisheries Program	869,357	959,528
Investment income	74,534	44,208
	1,961,675	2,093,283
COST OF FUNDS		
Interest paid to the Province of Manitoba		
Business Program	845,706	898,656
Fisheries Program	653,878	662,129
	1,499,584	1,560,785
GROSS MARGIN	462,091	532,498
OPERATING EXPENSES (Schedule 1)	1,593,806	1,563,351
	(1,131,715)	(1,030,853)
OTHER INCOME - ADMINISTRATION FEES	87,650	30,071
EXCESS OF EXPENDITURES OVER REVENUE BEFORE PROVISION FOR DOUBTFUL ACCOUNTS	(1,044,065)	(1,000,782)
Provision for doubtful accounts - regular operations	443,080	499,418
EXCESS OF EXPENDITURES OVER REVENUE BEFORE SUBSIDY FROM PROVINCE OF MANITOBA	(1,487,145)	(1,500,200)
SUBSIDY DUE FROM PROVINCE OF MANITOBA	1,487,145	1,500,200
	$ 0	$ 0

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31	**2002**	2001
CASH FLOWS FROM		
OPERATING ACTIVITIES		
Cash rec'd from Province of Manitoba & other sources	$1,384,594	$2,988,354
Expenditures to suppliers and employees	(1,147,253)	(1,513,081)
Interest paid	(1,381,512)	(1,560,786)
	(1,144,171)	(85,513)
INVESTING ACTIVITIES		
Purchase of capital assets	(21,898)	(26,788)
Loans issued net of principal payments	401,418	(28,879)
Purchase of equipment - net	(80,567)	87,655
	298,953	31,988
FINANCING ACTIVITIES		
Subsidy - Province of Manitoba (Note 3)	1,487,145	1,500,200
Advances by the Province of Manitoba	(483,354)	(1,535,047)
	1,003,791	(34,847)
NET INCREASE /DECREASE IN CASH & TRUST DEPOSITS	158,573	(88,372)
CASH AND TRUST DEPOSITS, beginning of year	332,526	420,898
CASH AND TRUST DEPOSITS, end of year	$491,099	$332,526
CASH AND TRUST DEPOSITS REPRESENTED BY		
Cash	$193,571	$325,281
Trust deposits	297,528	7,245
	$491,099	$332,526

SCHEDULE OF OPERATING EXPENSES

YEAR ENDED MARCH 31

	2002	2001
Amortization of capital assets	$ 17,695	$ 12,275
Collection costs	81,920	37,630
Communications	54,898	51,303
Credit reports	1,579	2,190
Directors' fees and expenses	64,679	66,756
Government vehicles	35,804	34,860
Insurance	736	911
Legal costs	15,739	18,499
Life insurance (Note 10)	64,897	63,157
Office supplies and expenses	17,705	18,548
Pension expense	144,658	132,147
Professional fees	21,203	23,630
Rent and utilities	77,203	76,373
Salaries and benefits	816,183	873,325
Sundry	23,235	29,423
TEAM expenses	102,817	65,061
Travel	52,855	57,263
	$1,593,806	$1,563,351

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF THE ORGANIZATION

The Communities Economic Development Fund (the Fund) was established in 1971 (Ch. C155) as a Crown corporation to encourage the optimum economic development of remote and isolated communities within the Province of Manitoba. With an act revision passed in July, 1991, the object of the Fund was set to encourage economic development in Northern Manitoba, to act as a lending authority in the fishing industry in the Province of Manitoba, and to provide financial assistance to aboriginal people in the Province outside the City of Winnipeg. The Business and Fisheries Loan Programs are administered under the C.E.D.F. Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Business Loan Program

The allowance for doubtful accounts on loans and interest receivable is calculated on a specific item basis in addition to a 5% non-specific provision on the remaining loans not specifically provided for.

Fisheries Loan Program

The allowance for doubtful accounts on fisheries loans and interest receivable is calculated based on the present value of future cash flows for those loans which, if they maintain their past payment history, will fail to retire their debt completely within the agreed term. The net present value (NPV) formula used for calculating the allowance for doubtful accounts is recognized by the Canadian Institute of Chartered Accountants; however, it does not account for closure of a fishery or regulated reduction of production. In the event of closure of a fishery or regulated reduction of production, the NPV formula may not adequately provide for doubtful accounts.

PENSION EXPENSE AND OBLIGATIONS

The employees of the Fund are not members of the Civil Service of the Province but they contribute to, and are pensionable under, the Civil Service Superannuation Fund. In accordance with the provisions of the Manitoba Civil Service Superannuation Act, the Fund will contribute 50% of the pension payments made to retired employees. Payments to the pensioners are charged against the liability account. The current pension expense is determined on the basis of an actuarial valuation. The most recent actuarial valuation as at December 31, 1998 indicated the accrued liability is in line with the obligation forecast in the report. In fiscal years prior to 1989, the Fund charged to operations contributions to the Manitoba Civil Service Superannuation Fund which amounted to 50% of the pension payments made to retired employees. Beginning in the 1989 fiscal year, the Fund has recorded a provision to fund current service obligations. The total liability as at March 31, 2002 amounts to $1,336,441 (2001 - $1,229,317).

CAPITAL ASSETS

Capital assets are recorded at cost. Amortization of capital assets has been calculated on a straight line basis using the following rates:

Building	10%
Office furniture and equipment	10 - 20%
Computer equipment	25 - 50%

3. DUE FROM PROVINCE OF MANITOBA

Annually, the Province of Manitoba provides a grant to cover the Fund's anticipated subsidy requirements for the year. The amount of $2,178,589 (2001 - $2,031,271) represents additional funds needed to cover the actual requirements for the year including coverage for the pension liability. The balance is comprised of the following:

	2002	2001
Department of Northern Affairs		
Subsidy (refundable)	$ 449,086	$ 361,264
- Orders in Council pending	327,661	375,290
Pension (unfunded)	1,325,828	1,229,317
Pension (funded)	10,613	
Severance accrual (unfunded)	65,400	65,400
	$2,178,588	$2,031,271

4. LOANS RECEIVABLE	**2002**	**2001**
Business Loan Program		
Principal	$11,211,498	$11,972,551
Accrued interest	529,698	477,173
	11,741,196	12,449,724
Allowance for doubtful accounts (Note 5)	(2,147,048)	(1,993,420)
	9,594,148	10,456,304
Fisheries Loan Program		
Principal	10,798,131	10,465,796
Accrued interest	576,623	671,418
	11,374,754	11,137,214
Allowance for doubtful accounts (Note 5)	(2,787,136)	(3,256,358)
	8,587,618	7,880,856
TEAM Loan Program		
Principal	41,082	13,782
Accrued interest	1,622	187
	42,704	13,969
	$18,224,470	$18,351,129

5. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The change in the allowance is accounted for as follows:

Business Loan Program	**2002**			2001
	Specific	Non-Specific	**Total**	Total
Balance, beginning of year	$1,528,964	$464,456	$1,993,420	$1,631,359
Provision for the year	365,000	442,199	807,199	399,418
	1,893,964	906,655	2,800,619	2,030,777
Accounts written off	(653,571)	-	(653,571)	(37,357)
Balance, end of year	$1,240,393	$906,655	$2,147,048	$1,993,420

Fisheries Loan Program	**2002**	2001
Balance, beginning of year	$3,256,358	$3,390,321
Provision (recovery) for the year	(365,000)	100,000
	2,891,358	3,490,321
Accounts written off	(104,222)	(233,963)
Balance, end of year	$2,787,136	$3,256,358

6. LOAN COMMITMENTS AND CONTINGENT LIABILITIES	**2002**	2001
Loan guarantees	$ 50,000	$ 50,000
Undisbursed balance of approved loans	1,148,263	1,687,401
	$1,198,263	$1,737,401

7. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value **2002**	Net Book Value 2001
Office furniture & equipment	$214,271	$172,361	$41,910	$37,707

8. ADVANCES BY THE PROVINCE OF MANITOBA	**2002**	2001
Business Loan Program (Note 9)	$10,690,017	$11,274,451
Fisheries Loan Program (Note 10)	7,836,988	7,747,445
	$18,527,005	$19,021,896

9. BUSINESS LOAN PROGRAM

The Communities Economic Development Fund is included under The Provision of Manitoba's Loan Act Authority. Advances from the Province of Manitoba bear interest at rates established by the Minister of Finance pursuant to "The Loan Act, 2000". The advances are repayable at any time in whole or in part at the option of the Lieutenant Governor in Council. Prior to the 1992/93 fiscal year, advances by the Province were interest free.

Advances from the Business Loan Program at March 31, 2002 are accounted for as follows:

Advances, beginning of year	$13,267,871
2001/02 loan advances	5,698,599
2001/02 loan advance repayments	(5,012,781)
Transfer loan balances to fish	(893,192)
	13,060,497
Unfunded allowance, beginning of year	1,993,420
2001/02 provision for doubtful accounts	807,199
Write offs (Order in Council pending)	(430,139)
	2,370,480
Net Balance, end of year (Note 8)	**$10,690,017**

The fund has specific loan exposure in the forestry sector in Northern Manitoba. Loans totalling $4,789,780 were outstanding to timber harvesting and related operations as at March 31, 2002. Non-specific allowances have been claimed against the portfolio totalling 5% of the outstanding loan balances at March 31, 2002. In addition, specific allowances have been claimed where management believes the loan has been impaired or where there is a difference between the carrying value of the loan and the estimated realizeable value of the assets pledged as security. The total allowance claimed against the forestry loan portfolio as at March 31, 2002 amounted to $1,513,296.

The Fund's exposure in the forestry sector may be impacted by the outcome of the current Canadian softwood lumber dispute with the United States. The specific impact of market disruption due to countervailing tariff or other trade action, though likely negative, is unknown at this time. As such, no provision for additional loan losses for forestry sector loans have been provided for in these financial statements.

10. FISHERIES LOAN PROGRAM

The Communities Economic Development Fund is appointed as the Lending Agency for the Fisheries Loan Program (under Part III of the Fisheries Act). The portfolio had previously been administered by Manitoba Agricultural Credit Corporation (M.A.C.C.) and funded by the Department of Natural Resources. Effective April 1, 1992 this portfolio was transferred to the Fund in its entirety.

Advances to the Fisheries Loan Program at March 31, 2002 are accounted for as follows:

Advances, beginning of year	$11,003,803
2001/02 loan advances	2,967,266
2001/02 loan advance repayments	(4,135,915)
Transfer loan balances from business loans	893,192
	10,728,346
Unfunded allowance, beginning of year	3,256,358
2001/02 recovery of doubtful accounts	(365,000)
	2,891,358
Net Balance, end of year (Note 8)	**$7,836,988**

Interest costs are charged on total advances of $11,003,803 which is the total portfolio including the allowance for loss portion of $2,787,136.

Life insurance on clients - The Fisheries Loan Program carries Life and Accidental Dismemberment on clients' loans. The cost of this insurance is recovered in the margin charged on interest rates.

The Fund utilizes a net present value formula to value its Fish Loan Portfolio and estimate the provision for loan losses. The formula takes into account the payments received in the previous 12 month period as a basis for calculating future collections. The 2001 and 2002 fishing seasons were dramatically improved over previous seasons. As a result, fewer fish loans indicate arrears potential and the formula utilized to value the fish loan portfolio generates a lower estimate for loan loss provision.

The provision for fish loan losses in the Funds books of account exceeds the value derived by the net present value formula as at March 31, 2002 by $764,859 (March 31, 2001 - $909,047).

	2002	2001
Loan Loss Provision		
per accounts	$2,787,136	$3,256,358
per net present value calculation	2,022,277	2,347,311
Difference	**$764,859**	$909,047

The commercial fishing industry is cyclical in nature and as a result, no adjustment has been made to the loan loss provision as at March 31, 2002.

11. LOAN ACT AUTHORITY

Amounts authorized for advances under "The Loan Act, 2001" are as follows:

Per Schedule A of "The Loan Act, 2001"	$5,100,000
Per Schedule B of "The Loan Act, 2001"	
Direct Loans	12,812,611
	17,912,611
Advances made during the 2001/02 fiscal year	7,288,466
Unused Loan Act capital available	**$10,624,145**

Guarantees of $970,000 were also authorized under "The Loan Act, 2001". Loan guarantees totalling $50,000 have been issued by the Communities Economic Development Fund as at March 31, 2002.

12. COMMITMENTS

The Fund has leases for office premises as follows:

Swan River	$675 per month
Thompson	$7,235 per month

The leases expire July 31, 2002 and July 31, 2005 respectively.

13. ADVANCES

The advances bear interest at the Royal Bank of Canada prime interest rate, plus 1%, payable monthly and are secured by a general security agreement.

14. ECONOMIC DEPENDENCE

The ongoing operation of the Communities Economic Development Fund depends on obtaining adequate financing and funding. The Communities Economic Development Fund is dependent upon the Province of Manitoba for funding of operations.

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